



Draft Central Depository and Registry Law

Draft Executive Regulations



CHEMONICS INTERNATIONAL INC.



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DRAFT CENTRAL DEPOSITORY AND REGISTRY LAW

Set of Draft Executive Regulations

1. Regulation A – Licensing (with Form CSD-1)
2. Regulation B – Conditions of License
3. Regulation C – Omnibus Provisions
4. Regulations on Registry (preliminary)

First Version – August to December 1999

Funded by the U.S. Agency for International Development
Implemented by Chemonics International Inc.
20 Aisha El-Taymoriya Street, Second Floor
Garden City, Cairo, Arab Republic of Egypt
Tel.: 355 0353 Fax: 355 8338 E-mail: CMD@Chemonics.net
Postal Address: P.O. Box 164 Maglis El-Shaab, Cairo, Egypt

Draft Depository Law

Regulation A – Licensing (Article 30)

1.1 **License.** This regulation establishes the procedure for obtaining a license to have the authority to carry out central securities depository, clearing, settlement, registry and related services in Egypt. A license is granted, suspended or revoked on the terms set forth in this Rule, in addition to those set forth in the Law.

1.2 **Application.** An applicant, for a license to provide any service of the depository, clearing, settlement, registry or related functions, files with the Capital Market Authority (“Authority”), in triplicate:

- a) signed originals the application form approved by the Authority and reproduced in this Rule;
- b) certified copies of Articles of Association
- c) certified copies of corporate By-laws
- d) current and proposed service contracts with Participants and non-Participants
- e) current and proposed service rules for Participants and non-Participants
- f) external and internal operations procedures manuals and user guides
- g) list of members of the Board of Directors and Officers, and their resumes
- h) list of Participants, if applicable
- i) technical design specifications in summary form
- j) organizational structure, job descriptions, staffing plans
- k) audited financial statements and auditors’ report for the immediately previous fiscal year.

1.3 **Exemption.** The Authority may, upon its own motion or upon application, conditionally or unconditionally, exempt any applicant or licensee from any provision of the regulations hereunder if the Authority considers it necessary for the public interest, the protection of investors and the prompt, safe and accurate clearing and settlement of securities transactions and the safeguarding of securities and funds.

1.4 **Transition period.** If requested by an applicant who provides clearing, settlement, depository or registration services at the time this regulation becomes effective, the Authority shall grant temporary registration for 18 months or such other period as the Authority may provide, upon finding that its operations were safe, without making all the determinations called for under the Law or these regulations.

1.4 **Procedure.** The Authority examines the completeness and the correctness of the application, the supporting documents and the compliance with the terms in the Law and this Rule. The Authority considers the benefits to the capital market of licensing the applicant.

The Authority publishes a notice in its bulletin of the application and invites interested persons to make representations at a public hearing before the Authority.

1.5 **Inspections.** In order to satisfy itself of the correctness or completeness of the information in an application, or to ascertain that the applicant or licensee complies with the Law and the Rules, the Authority may at any time:

- a) require evidence to be presented before it; and
- b) conduct interviews and inspections of the applicant or licensee, its books, registers and any document.

1.6 **Suspension or Revocation.** Where the licensee no longer meets the terms of the Law or these Rules, or it is found that the licensee made a false statement or omitted a material fact in its application, the Authority may suspend, revoke or limit the license granted, after a period specified in a written notice to the licensee, which period shall not be less than ninety days, stating the nature of the default or deficiency, if the licensee has not then taken appropriate action to remedy the deficiency or default.

1.7 **Order.** The Authority may also and at any time suspend the application of, or may order an amendment to any provision in any of the documents filed with the Authority when it considers it necessary to conform to this Law or the Rules.

The Authority may order a licensee a course of action if it considers it necessary for its proper operation or the protection of the market.

1.8 **Amendment.** Where a licensee proposes to:

- a) amend its constituting documents, by-laws, rules, contracts and procedures;
- b) proposes to delegate any of its functions, responsibilities or services; or
- c) proposes to terminate a service or to provide a new one;

it files with the Authority:

- (1) the Form approved by the Authority, as an amendment to its previous application or amendment;
- (2) a copy of the proposed amendment or new document;
- (3) a concise statement of its substance and purpose; and
- (4) the comments or a summary thereof received from its Participants, as may be applicable and if any.

1.9 **Approval.**

The approval of an application is at the discretion of the Authority. An application is approved when the Authority issues its decision, within ninety (90) days of the date the application is filed, that it has determined that the application and the supporting documents conform with the Law and Rules thereunder.

A proposed amendment is deemed to have been approved by the Authority after thirty (30) days from the date of its being filed in accordance herewith or after any other period agreed upon with the clearing agency. The Authority may require a change in the proposed amendment to ensure its fair administration or to make it conform to the requirements of or otherwise to further the purposes of the Law and these Rules. The Authority may postpone its decision on a proposed amendment until after considering representations of interested parties convened at a public hearing called by the Authority when it deems necessary.

If the information filed by applicant becomes inaccurate, misleading or incomplete, an amendment to such application must be filed promptly using the same Form . The approval period starts form the date of filing of such an amendment to the application.

1.10 Non-approval. The Authority denies its approval when the Authority issues its decision, within ninety (90) days of the date the application is filed, that it has determined that the application and the supporting documents do not conform with the Law and Rules thereunder because the licensee is not organized in a manner and would not have the capacity and resources to enforce compliance with its constituting documents, by-laws, rules, contracts and procedures, as amended.

A proposed amendment is denied by the Authority if within thirty (30) days from the date of its being filed in accordance herewith or after any other period agreed upon with the clearing agency the Authority has determined that the amendment would be inconsistent with a provision of the Law or with

- (i) the development and operation of a prompt and accurate clearance and settlement system, and
- (ii) the safeguarding of money and securities in its custody or under its control or for which it is responsible.

1.11 Reporting. A licensee files with the Authority:

- (i) one signed originals and three (3) copies of the audited financial statements and all notes or schedules thereto, within ninety (90) days of the end of its last fiscal year;
- (ii) three (3) copies of the list of its shareholders, directors, officers or participants within ninety (90) days from the end of its fiscal year; and
- (iii) three (3) copies of a complete revised list of its shareholders, directors, officers or participants within ten (10) days of a change thereto.

Capital Market Authority of Egypt

FORM CSD-1

for Registration, Amendment to, or Exemption from
Registration
of a
securities depository, clearing, settlement or registry organization

1. Filing Status:

☐ Registration ☐ Amendment ☐ Exemption

2. Date as of which the information is provided: day: month: year: 200

3. Applicant information:

a) Full legal name of applicant:

b) Previous name, if amended:

c) Name under which activities of organization are conducted:

d) Tax Identification Number:

e) Head office:

number and street

city

postal code

telephone: ()

facsimile: ()

web site:

f) Other locations where applicant performs its functions and provides services:

number and street

telephone: ()

facsimile: ()

4. Constitution and Organization:

a) Date of constitution as a joint stock company: day: month: year:

b) Attach a certified copy of :

1. constituting document and organization by-laws;
2. service contracts, rules and procedures
3. complete list of all dues, fees, charges and surcharges for all services

c) Describe whether services and activities are primarily conducted by a division, subdivision or other entity within the applicant or licensee's organization.

5. Capitalization:

a) Number of common shares issued and outstanding:

Amount of paid-up capital of applicant:

b) Fiscal year-end:

day

month

c) Attach an original signed copy of the audited balance sheet and statement of income and expense, and all notes or schedules thereto as of the last fiscal year, and the auditor's report.

d) Name and address of auditors of applicant:

e) Does the audit include a review of internal controls of activities?

☐ yes

☐ no

6. Financial Institution Bond:

a) Types of coverage carried and amount of each of the coverage:

Type	Amount	Amount of Deductible
1. Fidelity		
2. On Premises		
3. In Transit		
4. Forgery or alteration		
5. Securities		

6. Other: *(please specify, e.g., mail, lost instrument)*

b) Name and address of insurer:

c) Summarize type of provision (self-insurance, accounting reserve, funded reserve) made for self insurance of depository, clearing, settlement and registry activities not covered by insurance and amount thereof:

d) Summarize and cite operational, organization or other rules or provisions under which applicant:

1. may be exposed to a loss if a participant or other person fails to perform its obligations:

2. is protected against any such loss (participant or guarantee fund, etc.):

7. Ownership:

List all shareholders of applicant as follows:

Names	Address	Percentage held	Profession, Occupation
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8. Officers of applicant:

a)

Names	Addresses	Titles	Profession and Occupation
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b) Provide a brief account of their respective business experience for the last five (5) years and attach their respective resume.

9. Participants:

Attach a list of the names of Participants of the applicant and of current applicants to become a Participant.

10. Contractual suppliers:

Persons and entities who, under any arrangement with the applicant (e.g. custodian, other clearing agency, courier, bank for operations account, settlement bank, etc.), process, keep, transmit or maintain any securities, funds, records or accounts of applicant's participants relating to clearing agency activities:

Name	Address	Summary of arrangement
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11. Operations:

- a) Summarize each service or function performed by applicant:
- b) Describe measures employed to provide for the security of any system which performs the clearing agency function and the accuracy of the information received or disseminated:
- c) Describe procedures providing for the safeguarding of securities or funds in its custody or control:
- d) Describe backup systems designed to prevent interruptions in the performance of functions and data retrieval:

12. Application for exemption:

If this is an application for exemption, attach a statement demonstrating why the granting of an exemption from registration as a licensee or from any rule or provision of the Law would be consistent with:

- a) the public interest,
- b) the protection of investors,
- c) the safeguarding of securities and funds,
- d) the maintenance of fair competition among banks, brokers, dealers, and bookkeepers, and
- e) the prompt and accurate settlement of securities transactions and recording of ownership.

It is unlawful for a securities depository, clearing, settlement and registry organization to perform any such functions or provide any such services with respect to any security registered under the Law unless the organization is effectively registered with the Authority.

By submitting this form, applicant and the executing officials hereby represent that this information contained in this Form CSD-1 and its attachments are true, correct and complete.

name of applicant

manual signature of official

title:

name of official

Date of signature:

Capital Market Authority of Egypt

FORM CSD-1

for Registration, Exemption from
or Amendment to Registration
of a
securities depository, clearing, settlement or registry organization

1. Filing Status:

☐ Registration ☐ Amendment ☐ Exemption

2. Date as of which the information is provided: day: month: year:

3. Applicant information:

a) Full legal name of applicant:

b) Previous name, if amended:

c) Name under which activities of organization are conducted:

d) Tax Identification Number:

e) Head office:

number and street city postal code

telephone: () facsimile: () web site:

f) Other locations where applicant performs its functions and provides services:

number and street

telephone: ()

facsimile: ()

4. Constitution and Organization:

a) Date of constitution as a joint stock company: day: month: year:

b) Attach a certified copy of

1. constituting document and organization by-laws;
2. service contracts, rules and procedures
3. complete list of all dues, fees, charges and surcharges for all services

c) Describe whether services and activities are primarily conducted by a division, subdivision or other entity within the applicant or licensee's organization.

5. Capitalization:

a) Number of common shares issued and outstanding:

Amount of paid-up capital of applicant:

b) Fiscal year-end:

day

month

c) Attach an original signed copy of the audited balance sheet and statement of income and expense, and all notes or schedules thereto as of the last fiscal year, and the auditor's report.

d) Name and address of auditors of applicant:

e) Does the audit include a review of internal controls of activities?

☐

yes

☐

no

6. Financial Institution Bond:

a) Types of coverage carried and amount of each of the coverage:

Type	Amount	Amount of Deductible
1. Fidelity		
2. On Premises		
3. In Transit		
4. Forgery or alteration		
5. Securities		
6. Other: (<i>please specify, e.g., mail, lost instrument</i>)		

b) Name and address of insurer:

c) Summarize type of provision (self-insurance, accounting reserve, funded reserve) made for self insurance of depository, clearing, settlement and registry activities not covered by insurance and amount thereof:

d) Summarize and cite operational, organization or other rules or provisions under which applicant:

1. may be exposed to a loss if a participant or other person fails to perform its obligations:

2. is protected against any such loss (participant or guarantee fund, etc.):

7. Ownership:

List all shareholders of applicant

Shareholders names	Address	Percentage held	Profession and Occupation
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8. Officers of applicant:

a) Names	Addresses	Titles	Profession and Occupation
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b) Provide a brief account of their respective business experience for the last five (5) years and attach their respective resume.

9. Participants:

Attach a list of the names of Participants of the applicant and of current applicants to become a Participant.

10. Suppliers:

Persons and entities who, under any arrangement with the applicant (e.g. custodian, other clearing agency, courier, bank for operations account, settlement bank, etc.), process, keep, transmit or maintain any securities, funds, records or accounts of applicant's participants relating to clearing agency activities:

Name	Address	Summary of arrangement
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11. Operations:

- a) Summarize each service or function performed by applicant:
- b) Describe measures employed to provide for the security of any system which performs the clearing agency function and the accuracy of the information received or disseminated:
- c) Describe procedures providing for the safeguarding of securities or funds in its custody or control:
- d) Describe backup systems designed to prevent interruptions in the performance of functions and data retrieval:

12. Application for exemption:

If this is an application for exemption, attach a statement demonstrating why the granting of an exemption from registration as a licensee or from any rule or provision of the Law would be consistent with:

- a) the public interest,
- b) the protection of investors,
- c) the safeguarding of securities and funds,
- d) the maintenance of fair competition among banks, brokers, dealers, and bookkeepers, and
- e) the prompt and accurate settlement of securities transactions and recording of ownership.

It is unlawful for a securities depository, clearing, settlement and registry organization to perform any such functions or provide any such services with respect to any security registered under the Law unless the organization is effectively registered with the Authority.

By submitting this form, applicant and the executing officials hereby represent that this information contained in this Form CSD- 1 and its attachments are true, correct and complete.

manual signature of official

title:

name of official

Date of signature:

Draft Depository Law

Regulation B – Conditions of License (Articles 29 and 30)

1. Conditions of License.

In order to obtain and maintain a license to carry on business as a securities depository, clearing, settlement or registry organization, the applicant or the organization must demonstrate to the satisfaction of the Authority that it meets all the provisions of this Regulation at all times, except with respect to any provision from which it has been exempted by the Authority.

2. Standards.

The applicant must demonstrate to the Authority that it is constituted, organized and has the infrastructure, capacity and resources that enable it to:

- a) comply with the law and the Authority's regulations, and to enforce compliance by its participants with the law, the Authority's regulations and applicant's rules;
- b) facilitate the establishment of a national system for the recording and identification of securities and their ownership, or clearance and settlement of transactions in securities;
- c) develop and operate such a system that is prompt, accurate and cost efficient; and
- d) safeguard money and securities in its custody or under its control or for which it is responsible.

No central depository shall, directly or indirectly, engage in any activity as a central depository in contravention of such regulations prescribed by the Capital Market Authority as appropriate to the public interest, the protection of investors, the safeguarding of securities and funds or otherwise in furtherance of the Depository Law.

3. Provisions.

The constituting document, by-law, service contract and rules of the applicant shall set forth its:

- (i) operation on a reasonable rate of return on the investment and non-payment of dividends on common shares;
- (ii) paid-up capitalization of at least L.E. 20 million;
- (iii) the establishment of an audit committee of the Board of Directors and its mandate;
- (iv) criteria for participants eligibility, standards and qualifications, ensuring that a significant number of participants have agreed to or are participants of applicant to ensure that applicant can provide services to a large enough portion of the market;

- (v) prohibitions against unfair discrimination among participants, except on the basis of participants eligibility, standards and qualifications, and against restrained competition to an extent not necessary to achieve the objectives specified in the law, the regulations thereunder;
- (vi) assurance of fair representation of its shareholders and participants in the selection of its directors and administration of its affairs;
- (vii) equitable allocation of reasonable dues, fees, and other charges among its participants, and the publication and notification thereof;
- (viii) appropriate disciplining of participants for any violation of the service contract and rules of the applicant by suspension or termination, limitation of activities, surcharges and other sanctions and deterrents on specific grounds;
- (ix) fair procedure with respect to the disciplining of participants, including the opportunity to be heard in defense of such action, and the acceptance or denial of participation by any applicant;
- (x) the method of transfer and pledge of securities;
- (xi) the methodology of record keeping of funds and securities;
- (xii) adequate measures to protect the applicant's financial and operational integrity, liability and indemnification provisions to be in place to protect the applicant against unreasonable risk and loss; and
- (xiii) the procedure of adoption of new rules and procedures, their modification, notification to participants and their coming into effect, under which applicant will process its participants' instructions.

4. Audit and internal controls.

To assure the safeguarding of securities and funds and the prompt and accurate clearance and settlement of securities transactions, applicant:

- (i) performs periodic risk assessments of its operations and its automatic data processing systems and facilities,
- (ii) has an audit committee of its board of directors, composed of non-executive directors and are free from relationship that would interfere with their independent judgment. The audit committee selects, or participates in the selection of, the applicant's independent external auditor; it reviews the nature and scope of the audit work to be performed by the independent external auditor, and reviews the results of the audit report and internal controls reports with the independent external auditor,
- (iii) has an adequately and competently staffed internal audit department which reviews, monitors and evaluates the applicant's system of internal financial, operational and data processing controls throughout the year. The internal audit department reports directly to the audit committee of the Board of Directors;

- (iii) provides annually to participants audited financial statements and provides semi-annually to participants non-audited financial statements,
- (iv) provides annually to participants an opinion report prepared by its independent external auditor based on a study and evaluation of the applicant's system of internal controls for the period since the last such report.

5. Participant guarantee funds.

The Board of Directors of applicant may establish one or more participant guarantee funds to address identified risks. Any such fund is:

- (v) composed of contributions based on a formula applicable to all users of the service on a uniform, non-discriminatory basis, provided that participants may be divided into classes based on the type of business they conduct with the applicant, the principle of which formula is determined by the Board of Directors of applicant;
- (vi) in cash, letters of guarantee issued by a bank acceptable to applicant, or highly liquid securities which participants are required to reimburse for any charge made to their contributions;
- (ii) limited in the purposes for which it may be used;
- (iii) invested looking essentially at the security and liquidity of the contributions to the fund, and only secondarily at the return on investment; and
- (iv) set forth in the rules of applicant.

6. Security and integrity of data and operations.

Applicant shall have and produce to the Authority on its request, detailed security plans to assure:

- (i) the physical safeguarding of securities and funds, including the confidential nature of the information on securities and funds, its participants and their clients;
- (ii) the reliability of the electronic data processing system;
- (iii) the integrity of members of applicant's personnel and undertaking with respect to the confidential nature of the data;
- (iv) the recovery under a variety of contingencies from loss or destruction of securities, funds or data; and
- (v) the resumption of business of applicant in the event of a disaster.

7. Reporting obligations.

As a condition of its license, licensee undertakes to:

(i) submit to an announced inspection by, or request to disclose information to, the Authority or its designated representative pursuant to a provision of the law or a regulation thereunder;

(ii) notify the Authority in writing:

1. within three business days of:
 - a) the admission or the voluntary resignation of a participant;
 - b) the resignation and appointment of a member of the Board of Directors, and the resume of a new member;
 - c) any dispute, disciplinary action or arbitration and provide the Authority with a statement summarizing the action or omission of the participant, with specific reference to the rule or procedure violated and the sanction imposed;
2. immediately and not later than the next business day, of the following events:
 - a) the suspension or termination of a participant, and the grounds thereof;
 - b) the scheduled date of the hearing of a participant affected by a decision of applicant;
 - c) the failure of a participant to settle its obligations timely; and
 - d) the actual or possible financial or operational difficulties of a participant, of which applicant is aware; and

(iii) provide annually to the Authority, within 90 days from the end of applicant's fiscal year:

1. audited financial statements approved by the licensee's board of directors and its independent external auditor's report;
2. an opinion report prepared by applicant's independent external auditor based on a study and evaluation of the applicant's system of internal controls for the period since the last such report. The internal control report is based on a review of applicant's overall system of internal controls and compliance tests. It states that it was made in accordance with international standards on auditing, describe material inadequacies found to exist and corrective action taken; comment on the current status of any material inadequacy described in the previous report and indicate the date of the review and of the report. The review must be designed to provide the reasonable assurance that:
 - a) any material weakness is revealed;
 - b) the registration or transfers and other movements in securities are being conducted promptly and accurately; and
 - c) fraud and unauthorized transactions are avoided.

(iv) provides semi-annually to the Authority, within 60 days from the end of applicant's first half of its fiscal year, non-audited financial statements for that first half of its fiscal year.

8. Assignment.

A licensee may not delegate any of its functions or responsibilities without the prior approval of the Authority by the filing of an application for amendment in the form of Form CSD-1.

**Draft Depository Law
Regulation C – Omnibus Provisions**

Article 5: Nominee registration

1. Securities which are the property of a person may be held by and in the name of another person having the power or authority to do so, either:
 - a) under a license granted under the Capital Market Law, the Banking Law or any other law; or
 - b) acting in an official or public capacity pursuant to the Civil Code, the Commercial Code or any other law.
2. Securities that are the property of a person who is not a resident or a citizen of Egypt may be held by and in the name of a registered owner. Such registered owner and beneficial owner shall comply with the provisions of any law of Egypt applicable to securities issued or traded in Egypt. This obligation includes disclosing any information pertaining to their holdings and transactions required under law or the rules of a licensed securities exchange or central depository and registry of which they are a member or participant.
3. The rules of a central securities depository may require that all securities, held in a registered holder's name, who has not disclosed to the central depository details of the beneficial owner, shall be held for each beneficial owner in an account at the central depository separate from any account of any other owner.

Article 10: Securities Eligibility

1. The central depository may determine which securities or class of securities shall be or cease to be eligible to its operations and any of its services, and shall notify participants in accordance with its procedures, of those securities that are eligible to its services.
2. It shall be the general policy of the central depository to make all securities eligible to its operations and services to the largest extent possible, having regard to its capacity to handle the volume of transactions in and the features of such securities.
3. The central depository may, having due consideration to the best interests of all participants, impose or remove conditions on the eligibility, entries, deposit, withdrawal, transfer or pledge of any security if it considers it necessary or desirable to, without limitation:
 - a) facilitate the operation of any of its services;
 - b) comply with any order of a competent regulatory authority;
 - c) fulfill any agreement; or
 - d) comply with any applicable statute or regulation or to comply with the charter or by-laws of the issuer of a security.

4. The central depository shall, prior to imposing or removing a condition, give its participants sufficient prior written notice to permit them to take appropriate actions. It shall at all times indicate conspicuously the nature of the conditions in its list of eligible securities.

Article 11: Clearing and settlement services

1. The clearance of a transaction in securities by the central securities depository is the process of calculating the mutual obligations of participants of the depository, either on a gross or on a net basis, for the exchange of securities and money.
2. The settlement of a transaction in securities is the completion of the transaction where the seller transfers securities or financial instruments to the buyer and the buyer transfers money to the seller. The settlement of securities transactions shall be final.
3. The central securities depository in its rules and operating procedures shall specify the methods for the clearance and settlement of securities transactions.
4. All securities transactions carried out on any securities market in Egypt shall be reported to, for clearance and settlement by, the central depository in accordance with its rules and procedure.

Article 12: Settlement dates

The settlement periods for transactions in dematerialized securities shall be determined by the rules of the central securities depository. Such periods shall not exceed:

- a) three days from the date of the transaction in equity securities on a stock exchange;
- b) three days from the date of the transaction in debt securities having a remaining maturity date of one year or more at the time of the transaction;
- c) one day for debt securities having a remaining maturity date of less than one year at the time of the transaction;
- d) the same day the transaction took place in debt and money market securities, having a remaining maturity date of less than ninety days at the time of the transaction.

Article 16: Participant Eligibility

1. In addition to those entities specified in the Law, entities eligible to participate in the services of the central depository may include:
 - a) the Government of Egypt, its Central Bank of Egypt and a municipality or other entity who issues government securities in Egypt, and their respective fiscal agent;
 - b) a regulated entity which deals, issues, invests in or has custody of securities;

- c) a regulated entity which can demonstrate to the central depository that it will benefit from its services;
 - d) an entity who issues securities; and
 - e) any one of the above entities formed pursuant to laws other than the laws of Egypt, but equivalent in nature.
2. Every Participant shall meet the qualifications set forth in the rules of the central depository, having regard but not limited to:
- a) its good standing under the laws pursuant to which it is formed; and
 - b) its being duly registered or licensed with its competent Regulator;
 - c) its ownership, management, control or custody of securities;
 - d) its financial stability; and
 - e) the protection of MCSD and other Participants.
3. A Participant shall meet standards prescribed by the rules of the central depository, having regard but not limited to:
- a) its financial resources and obligations;
 - b) its ability to fulfill operational requirements promptly, safely and accurately; and
 - c) the integrity of its directors, officers and personnel.
4. The board of directors may waive, for an entity filing an application or for a participant, the application of any requirement pertaining to eligibility, qualification or standard. Such waiver shall be granted by a resolution adopted on the unanimous vote of all directors, after giving due consideration to the best interest of MCSD, its Participants and the benefits to the market place in Egypt. All participants and the Capital Market Authority shall promptly be notified in writing of such waiver and the reasons thereof.

Article 23: Constrained securities

- 1. The central depository may be unable to accept certain securities or more than a limited number of certain securities due to constraints imposed by the charter or by-laws of its issuer, by legislation, regulation or order of a court or regulatory authority. Such constraints may include restrictions on the persons eligible to hold such securities, restrictions on the maximum number of such Securities held by a person or requirements to submit declarations.
- 2. The rules of the central depository shall require, and provide for the sanction of any breach of such rule, that a participant not knowingly permit securities entered in the records of the central depository to be held beneficially in contravention of any applicable charter, by-law, legislation, regulation or order.
- 3. The central depository rules shall require any participant or its customers to provide or cause to be provided to the central depository, in accordance with procedures and within the reasonable times specified, a declaration or required documentation providing such information for any security entered in the records of the central depository as may reasonably be required to comply:

- a) with a request of the issuer of the security made to comply or facilitate compliance with any legislation, rule, regulation, order of a court or administrative or regulatory body, by-law or provision to which the issuer is subject; or
 - b) with any legislation, regulation, or order of a court or administrative or regulatory authority.
4. The central depository shall be entitled to rely upon and be under no duty of inquiry with respect to any such declarations received from its participant. A participant may, in the absence of his personal knowledge of the matter under consideration, base its declaration on the declarations solicited from and received by its customer. The central depository and the participant shall then not be responsible for the correctness of the information contained in declarations so provided. A participant shall retain in its possession for such period as may be prescribed, and shall make available for inspection by the issuer or person authorized under the applicable legislation regulation or order, completed copies of all such declarations of participant and those received from its customers.

Article 24: Records and Reports
*(complemented by the “pre-draft”
on the specifications of the records of the registry service,
provided separately)*

1. The records to be maintained by the central securities depository shall be those required to enable its participants to comply with any law and regulations to which they are subject central depository prescribes the contents and the format of information to be provided by it to its participants.
2. The reports provided by the central depository may be divided by type of transaction and class of securities. Each participant must review all information provided by the central depository for errors and omissions.
3. Participants must verify certain reports provided by the central depository as specified in the rules. A participant is deemed to have accepted the accuracy of a report which is required to be verified unless the participant gives notice of any discrepancy to the central depository within the time period specified with respect to that report.
4. On each business day, the central depository shall make available to each participant one or more detail reports showing the securities balances in the Participant’s securities accounts. Each participant shall review each report and verify the report to its own records.
5. Each participant shall conform its records to the central depository’s records to reflect the entries made by the central depository in the records maintained by the central depository, including the delivery of securities and the payment to or by the participant.

6. If there is any discrepancy between the records of the central depository and the records of a participant, the central depository's records are deemed to be correct and prevail, in the absence of manifest error.
7. The central depository may correct or adjust any incorrect entry in any record maintained by the central depository. It shall immediately notify the affected participant that a correcting entry has been made.
8. The central depository may at any time, correct any manifest error and make a correcting entry, provided that the delay of the participant in requesting the correction has not prejudiced the central depository or another Participant.
9. The central depository shall not be obligated to retain its records relating to any service or transaction within a service for longer than 10 years after the date on which the entry relating to that transaction was made on the records. It may determine that certain records or classes of records shall be discarded or destroyed before the expiry of such 10-year period.
10. Such records may be kept for a longer period in order to comply with the requirements of any applicable law, of a Participant or an issuer of securities, or pursuant to a contract or the rules of the central depository.

Article 25: Custodians

1. A custodian must demonstrate to the satisfaction of the Capital Market Authority that it meets all standards established by the Authority with respect to financial ability, personnel, facilities, equipment, procedures and other matters, and that it can be classified in any one of the following categories:
 - a) a custodian acting in Egypt shall be:
 - i) a bank, regulated by the Central Bank of Egypt and in good standing, having a capital of not less than US \$200 million;
 - ii) the Central Bank of Egypt;
 - iii) a wholly-owned subsidiary of a bank referred to in clause i), if such subsidiary either has capital of not less than US \$200 million or all of the obligations of such subsidiary are unconditionally guaranteed by its parent; or
 - i) the central securities depository in Egypt licensed by the Capital Market Authority.
 - b) an entity which acts outside Egypt as custodian for the central securities depository mentioned in subparagraph a) iv) shall be:
 - ii) a banking institution or trust company incorporated or organized under the laws of a country other than Egypt that is in good standing under applicable law and regulation of its country of incorporation or organization, and that has capital of not less than US \$200 million;
 - iii) a wholly-owned subsidiary of a banking institution or trust company referred to in clause (c) provided that such subsidiary has capital of not

- less than US \$200 million or all of the obligations of such subsidiary are unconditionally guaranteed by such institution or trust company;
 - iv) the central securities depository or clearing agency which operates a system for the holding or transfer of securities and is registered with the securities regulatory authority of that country; or
 - v) a central bank of, or an entity performing the functions of a central bank for, a State recognized by Egypt.
 - c) and an entity mentioned in subparagraphs a) i) and a) ii) , and b) i) and b) ii) shall meet minimum third party service ratings established by the Capital Market Authority.
2. With respect to each securities and funds of a customer, a custodian:
 - a) may hold such securities and funds in safekeeping and properly segregated ;
 - b) supply facilities for the deposit and withdrawal of such securities;
 - c) receive, and promptly make to its customers, all payments including dividends, interest and principal payments on redemption or maturity;
 - d) promptly distribute all communications, information and entitlements from the issuer or third parties in respect of such securities;
 - e) not take any action with respect to the securities of its customers except in accordance with their instructions which the custodian is obliged to first solicit from its customer;
 - f) facilitate the exercise by its customers of all options and actions, including voting rights pertaining to securities in its custody;
 - g) shall not have any lien, right of retention or set-off over fully paid securities of its customers; and
 - h) maintain a policy of insurance for securities in a coverage and amount adequate to the value of securities in its custody.
 3. The central depository may perform the functions of a custodian with respect to any securities.
 4. Under this rule, “capital” means the aggregate of:
 - (a) the stated capital account of the entity for the common shares in the capital of the entity or its equivalent if the entity does not issue common shares; and
 - (b) the portion of the retained earnings account and of each other account of the entity that represents or is equivalent to (in accordance with generally accepted accounting principles consistently applied) common shareholder equity as determined by the entity’s external auditors in the financial statements filed by the entity with its regulatory authority which has primary jurisdiction over it, provided that the Capital Market Authority may from time to time determine how capital shall be calculated for the purposes of this regulation.

Article 29 – Shares in Central Depository

1. The minimum paid up capital of the central depository shall be in the amount stipulated under [Regulation B – Conditions of License, article 3 (ii)].

Article 32: Representation of Shareholders

1. A central securities depository of a country other than Egypt, which files with the central securities depository of Egypt an application to become its participant or enters into an agreement to use its services, is exempted from the requirement to become its shareholder.
2. The by-laws of the central depository shall provide that shareholder banks, brokers, issuers and bookkeeper participants, and any other group of shareholder participant entities, shall:
 - a) form separate groups of shareholders, in equal amounts of shares of the central depository, to represent their respective common interests in the securities industry;
 - b) be represented by a board of directors, the members of which shall be appointed by or elected from among each shareholder group separately, in equal numbers of directors, to contribute their knowledge of the sector of the securities industry they represent at board meetings and discussions;
 - c) elect four directors, two of which shall not then be currently employed in the securities industry, to represent the interest of investors, and two of which to be full time senior executives of the central depository;
 - d) ensure that the transfer of shares of one retiring shareholder of a group be first offered, for a appropriate consideration, to a new participant of the same group or if there is no such new member, then equally to all members of the group of which the retiring participant is a member;
 - e) by resolution of the board of directors, determine the number of directors for a quorum, which shall require that an equal minimum number of directors representing each group be present at a meeting of the board and without which a meeting cannot be held or be valid.

Article 35: Distribution of Profits

1. The board of directors of the central securities depository shall determine the policies on the basis of which services fees shall be calculated by the central depository.
2. The actual or estimated operating after-tax profits of the central depository, net of expenses, contingency funds, amortization funds and other budgeting provisions determined by the board of directors, shall be dealt with by calculating a fee credit for each participant, which shall be equal to:
 - a) the percentage, representing the proportion that the amount of a participant's year to date fees paid bears to the total amount of fees paid to the central depository for the same period;
 - b) multiplied by the amount of the net after tax profit;

which resulting amount shall be notified in writing to the participant and to the service fees payable by the participant would be applied against the amount of such credit until exhaustion of such credit.

EXECUTIVE REGULATIONS ON REGISTERS OF SECURITYHOLDERS OF ENTERPRISES

I. GENERAL

1.1. Regulations on Registers of Shareholders and Registers of Bondholders of Enterprises (hereinafter referred to as the Regulations) are issued pursuant to the Central Securities Depository and Registry Law.

1.2. The Regulations establish the requirements for storing and maintaining the shareholder register and the bondholder register of an enterprise, the procedure for entering data into the register, and the obligations of the registrar.

The following terms are defined as follows:

Minister – The Minister of Economy and Foreign Trade of Egypt.

Authority – The Capital Market Authority, attached to the Ministry of Economy and Foreign Trade. The body which regulates and supervises operations of securities and capital markets and the activity of enterprises and all participants in the securities market

Enterprise – a legal person conducting economic activity with the objective of acquiring profit. For purposes of this regulation, any enterprise which issues securities.

Security - a transferable instrument which may be in materialized or dematerialized form that may be offered to the public in the form of equity securities (e.g., shares), debt securities (e.g., bonds) or other kinds of securities.

Share –a security which is a part of the issuer’s authorized capital, certifying the rights of its owner to obtain a share of the profits of the joint stock company, to participate in the company’s management, and to share in the property in the event of liquidation of the joint stock company.

Materialized Securities - securities that are issued in document form.

Materialized Security Document - a document representing an amount of securities as indicated on the document itself. [Note: commonly referred to as a "certificate".]

Dematerialized Shares - shares that do not exist in document form but as book entries in a Share Register or a Depository.

Extract from register –a document issued by the registrar, certifying that the person indicated thereon is the registered person, the holder of a certain amount and class of shares. The extract from the register shall not be considered a security and shall not result in assignment of rights in the shares therein indicated.

Transfer Instruction – a document to be delivered to the registrar containing the requirements for realization of the transfer of shares.

Person - an individual or legal entity.

Shareholder - a holder of a share or shares; may be the beneficial owner of shares or a nominee.

Bondholder - a holder of a bond or bonds; may be the beneficial owner of bonds or a nominee.

Registered Person (Registered Shareholder, Registered Bondholder) - a person whose name appears in the shareholder register or the bondholder register of an enterprise as the holder of a specified number of shares or a specified face amount of bonds. A registered person may be the owner of the securities registered in his name or may be a nominee.

Nominal holder or Nominee – a legal person, which is a securities market participant, authorized under a written agreement to hold in its own name shares of a beneficial owner or another nominee.

Beneficiary or Beneficial Owner (True Owner) - a shareholder who is not holding shares on behalf of another person. He may be the registered shareholder or may have authorized, pursuant to a written agreement, a nominee holder to act on his behalf.

Register (Shareholder Register or Bondholder Register) - a unified record system which contains data on every registered person regarding his position as share or bond owner or nominee shareholder or bondholder of an enterprise.

Register Account File - specified Register data from Personal Accounts.

Issuer Data File – specified data regarding an enterprise.

Registrar - the enterprise itself or the Central Depository and Registry Company that maintains the share register or the bond register of an enterprise and provides related services.

Registry Company – the Central Depository and Registry Company.

Stock Split - a division of existing shares of an enterprise into a larger number, but smaller, shares worth less.

Consolidation - a combining of existing shares of an enterprise into a smaller number, but larger, shares worth more.

Record Date - the date on which the name of a person, or the nominee of a person, must appear as a shareholder on the register of an enterprise in order for the person to be entitled to vote, or as a securityholder to receive a dividend, interest or other distribution, or to be eligible for participation in some action of the enterprise.

ISIN – International Securities Identification Number

Days - as used in this regulation, days are business days.

2. THE REGISTRAR - GENERAL

2.1. An enterprise is required to perform or assure the performance of the proper maintenance of its register of securityholders in accordance with the procedures and standards established by these regulations.

Enterprises are required to establish its shareholder register and its bondholder register no later than one month after the date when any person becomes entitled to have his name entered into the shareholder register or the bondholder register.

2.2. The maintenance of the shareholder register or the bondholder register of an enterprise is accomplished by the enterprise itself, or by the Registry Company. The register securities subject to a public offering or listed on any stock exchange is required to be maintained by the Registry Company..

2.7 If the Authority or other authorized agency determines that a shareholder register or a bondholder register being maintained by the enterprise itself is not maintained in accordance with this regulation or with any other law, regulation, or other directive that regulates the manner of share register or bond register maintenance, the Authority may appoint the Registry Company to maintain the register.

2.13. In the event of loss, theft, or destruction of the register or any portion of the register, whether maintained by electronic means or on paper, the registrar shall immediately:

- send written notices to the Authority, the stock exchanges, and intermediaries.
- publish an announcement in mass media requesting that interested persons submit copies of documents needed for the restoration of lost information, and informing them of the need to re-register transactions which were conducted without the participation of a professional participant in the securities market. The announcement should refer to the date and the period of time during which restoration of lost information is required;
- restore lost information as soon as possible while continuing to create records in the register but no later than within ten days from the time of loss.

2.14. A registrar must have a system of reports generated for periodic use by management and to assure proper internal control over daily operations. Such reports shall include:

- Daily transfer journal. Provides summary information on each entry in the register for a day which reflects change of ownership of securities
- Daily transaction journal. Provides summary information on each entry in the register for a day other than entries which reflect change of ownership of securities
- Turnaround report, produced no less frequently than monthly. Summarizes the average number of days required to process each type of item during the period covered by the report

- Turnaround exception report, produced whenever the number of items of a given type that are not meeting the turnaround time requirements (turnaround exceptions) exceeds a predetermined percentage of the total number of items of that type. Provides detailed information on those items that are turnaround exceptions.

- Inquiry report, produced no less frequently than monthly. Provides details on the number, type and turnaround time of shareholder or bondholder inquiries received during the period, organized by type of inquiry

- Vault inventory control report, produced monthly. For enterprises that issue materialized securities, lists each vault transaction (addition or removal of materialized securities) since the most recent verification of vault contents.

- Transfer activity report, produced automatically upon the fulfillment of predetermined criteria. Lists each transaction that should obtain approval from shareholders or a government body or should be reported to the Board of Directors, the Audit Commission, the shareholders or a government body.

[This would apply, for example, when there are percent-of-ownership reporting requirements. Are there other situations? If so, summarize and describe in more detail.]

2.x. The Registry Company shall during the working day provide access to register information to the enterprise's authorized representatives and to other persons entitled to such information.

The Registry Company shall during the working day provide access to the most recent shareholder list to registered persons.

[How much access do we want to allow?]

3. THE REGISTER

3.1. A registrar is obligated to make entries in the register required by this regulation in the manner and within the time periods established. The registrar shall not make entries, deletions, or otherwise change the information in the register except in accordance with this regulation.

3.2. To maintain the register, the registrar must maintain a system that, at a minimum:

- contains a chronological record of each entry to the register, and assigns a unique sequential record entry number to each entry;

- retains historical information about the personal accounts of each registered person;

- backs up files automatically on a daily basis, if the register is maintained by electronic means;

- includes recovery arrangements to ensure that, in the event of catastrophic damage to equipment, premises, or files, the registrar will be able to restore operations promptly without loss or damage to the integrity of the information in the system;
- maintains a record of issuance and cancellation of all materialized securities if such securities are issued;
- maintains the system of accounting for, and storage of, supplementary documentation;
- processes requests received from registered persons;
- maintains files of all correspondence and other records of inquiries from persons claiming to be registered persons (or their authorized representatives), and records evidencing the manner in which each request was dealt with;
- processes stock splits, stock dividends, consolidations, conversions;
- produces extracts for enterprises which issue dematerialized securities;
- produces a shareholder list to determine which shareholders
 - are entitled to receive notice of a meeting of shareholders and to vote at that meeting
 - are subject to having their shares exchanged for other shares of the enterprise (or successor enterprise) in the case of a merger or other reorganization of the enterprise)
 - are subject to having their shares redeemed or canceled
 - have shares subject to a stock split or consolidation
 - or are otherwise entitled to benefits, or subject to the responsibilities of ownership, of shares.
- produces a shareholder list or bondholder list to determine which shareholders or bondholders are entitled to receive dividends or interest with respect to securities

3.3. Except as provided in 4.4., each record in the register may be maintained in paper form or by electronic entries. Records may be placed on microfilm, microfiche, or other suitable medium after one year from creation or receipt.

3.4. The official copy of the register shall be a list in paper form (which may be produced from electronic entries) containing all information from the personal account of each shareholder, produced as of the end of the calendar year, and certified by the signatures of two official of the registrar and the seal of the registrar.

3.5. If a register is maintained only in a paper form, a register shall be prepared for each class of securities issued by the enterprise. If a register is maintained by electronic entries, all securities of an enterprise may be combined in one register provided that the registrar's system is capable of making all necessary distinctions between issues and contains safeguards to prevent entries or other actions from affecting the incorrect security issue.

3.6. The issuer data file shall contain

- data on the number and class of shares and/or bonds authorized,
- the number of shares and/or bonds of each class issued,
- the ISIN of each class of shares and/or bonds assigned by the Authority,
- information on share splits, consolidation, repurchases, redemptions, cancellations, mergers, or other reorganizations or actions relating to securities, contained in, as applicable:
 - a protocol of the results of a meeting of **[shareholders/directors]** that approved the action
 - the amendment to the Charter that effected the action.
- data regarding share ownership limitation, required or requested by any State or local government agency, or by the enterprise itself, for either information or for reporting purposes.
- data on each dividend, interest payment, or other distribution, indicating the date declared, the amount per share of each dividend or distribution, tax withheld, if any, and the date paid or distributed.

3.9. Registrars shall open personal accounts for all newly-registered persons at the time that securities are first issued to the person. A different account number shall be assigned to each personal account. Each register entry referring to a shareholder or bondholder must refer both to the name of the registered person and the account number of such person.

3.10. Personal accounts shall contain the following minimum data for each registered person:

- the account number of the personal account;
- the person's authorized representative, if there was one appointed;
- if the registered person is a physical person
 - * full name of the registered person
 - * Passport number (or other appropriate ID number),

- * home address of the registered person, including ZIP Code
 - * country of residence if other than Egypt
 - * correspondence address, including ZIP Code, if different from home address
 - * Telephone, telefax numbers, e-mail address, if available
- if the registered person is a legal person
- * full official name of the registered person
 - * whether the registered person is a nominee shareholder:
 - * registration number, date of registration, and name of registering agency (or other appropriate data)
 - * full name and position of one or more authorized representatives
 - * legal address of the registered person, including ZIP Code
 - * code indicating country of registration, if other than Egypt
 - * correspondence address, including ZIP Code, if different from legal address
 - * Telephone, telefax, teletype, telex, and e-mail address, if available
- if the registered person is two or more co-owners, the names of the co-owners, and the owner, if any, designated to act on behalf of the co-owners; if the register is maintained by computer, the register entry and personal account file need only contain one name, provided that any additional co-owners are recorded in supporting documents files.
- if the registered person is a physical person with limited legal capacity to act, the name and title(s) of the person(s) who are authorized representatives of the registered person, the authorized representative's home address or legal address, and correspondence address, if different from home or legal address.
- preferred method of receiving dividends, interest, or other distributions **[How many methods are there? What are they?]**
- on the data providing the information needed to distribute dividends, interest, and other payments to registered persons: bank name, bank city, bank account number, correspondence bank, correspondence bank number,
- on the amount of dividends/interest accrued and paid;
- on the amount of tax withheld from dividend and/or interest payments, if tax law so requires;

- on each increase or decrease in the number of securities in the name of the registered person, each entry to contain:

- * whether the entry was for an increase or decrease in the number of shares or bonds in the name of the registered person

- * the number of shares or the amount of bonds by which the securities in the name of the registered person changed

- * the date of the increase or decrease, or other reference to the register entry number reflecting the increase or decrease

- on the imposition of encumbrances or obligations on securities, specifying the date or other reference to the register entry number reflecting the encumbrance or obligation

- the current share or bond balance for each class

- for each materialized share or bond issued, its number and whether it has been canceled

- the last purge year

3.11. Following the end of each calendar year, the registrar may purge information no longer required to be maintained from the register by creating a new register, commencing with a list of each registered person as of the date the new register is created.

Either the official copy, in paper form, of the prior register; or an extract from the prior register, in paper form, containing all purged information and the personal data for any account from which information was purged, shall be retained for at least seven years. The official copy or the extract may be transferred to microfiche after one year.

3.12. If one person is simultaneously a true owner and a nominee shareholder or bondholder, the register shall contain both a personal account of the registered person in his name as well as a separate personal account in his name as a nominee holder. **[Probably not applicable if broker is not permitted to act as dealer for its own account.]**

3.13. Each entry in the register affecting the number of shares or the amount of bonds held by a registered person shall contain, as a minimum,

- the register entry number (assigned sequentially),

- the type of entry (e.g., issuance of securities by the enterprise, transfer of securities, etc.),

- the register entry date.

- the number and class of securities

- the name of the person in whose name the securities are being registered, in the case of issuance of securities by the enterprise, or in case of transfer of securities

- the name of the person from whose name the securities are being transferred, in the case of transfer of securities

- if the entry is made pursuant to a contract of purchase and sale, the price (expressed in Egyptian pounds or piastres) paid if the transaction took place without the participation of a professional participant in the securities market. **[If there is no capital gains tax, this item would apparently not be needed.]**

3.15. The registrar shall mark each document received by it clearly with the date and time received.

4. THE REGISTRY COMPANY

4.1. In addition to the functions specified in this regulation as applicable to all registrars, the Registry Company must perform the functions, and meet the additional operating standards, specified in this Part of this Regulation.

4.2. The Registry Company must maintain registers in a computerized form. It must use a computerized information system that is capable of performing the data processing functions specified in this regulation.

4.3. The Registry Company is not entitled to perform or participate in other types of professional activities with securities except in combination with depository or clearing activity.

4.4. The Registry Company shall not discuss nor disclose to any other persons, including persons employed in other activities of the Registry Company, any business information of any of the enterprises for which it acts as Registrar.

4.5. The Registry Company must maintain an issuer data file for each enterprise, which shall contain the following minimum data:

- official name of the enterprise

- all data listed in 3.6.

- name and position of one or more persons who are authorized to act on behalf of the enterprise, and sample signatures

- persons and addresses to which communications are to be sent

- legal address if different from the correspondence address

- telephone numbers/facsimile numbers/telex numbers

- bank account number.

- ISIN Number for each issue of the enterprise
- whether securities are issued in materialized or dematerialized form
- any transfer restrictions on such securities

4.6. The Registry Company must have a system of operating procedures to assure the accurate and timely processing of supporting documents, including

- all documents relating to the register, including transfer instructions and materialized securities, requests for confirmations, and other inquiries
- a record of all telephonic inquiries with respect to the register
- marking the time and date received on documents and on records of telephonic inquiries
- assigning control numbers to documents and inquiries,
- routing documents and inquiries to the appropriate department for handling an item,
- tracking and reporting on the status of any item, and
- archiving and retrieving documents.

4.7. The Registry Company must adopt measures to assure the integrity of data entered in the register, including, but not limited to:

- validity parameters for data entry operations,
- double keying of certain data inputs, and
- an audit or review function for comparison of printed output against documents from which data was input.

4.8. The computerized information system of the Registry Company must be capable of examining each transfer operation and determining:

- whether the number of shares or the amount of bonds being issued, equals the number of shares or the amount of bonds being canceled.
- whether the personal account of a registered person contains a sufficient number of securities
- whether the securities are free from restriction
- whether the registered person has limited legal capacity to act

- whether the securities are jointly owned
- whether the registered person is a legal person, which requires an authorized representative to act on its behalf
- whether a materialized share or bond was issued, and, if so, whether the materialized security being transferred is the security reflected in the personal account

4.9. The Registry Company must have an arrangement for off-site storage of electronic files to which duplicate copies of essential data will be forwarded no less than weekly.

4.10. The rights and obligations of the enterprise and the Registry Company are defined by these regulations, any other relevant legislation, and by any contract they conclude. Any such contract must be consistent with law and regulation. **[The Authority should establish parameters for contract provisions to prevent the enterprise from being at the mercy of the Registry Company.]**

4.11. After the contract has been executed the enterprise shall transfer to the Registry Company all documents required for maintaining the register with regard to authorized and issued securities, enterprise establishment documents, changes made in the enterprise establishment documents, protocols of shareholder meetings, documents confirming payments for shares, and other documents constituting grounds for making entries in the register, and shall provide the information required by 4.6.

4.12. The Registry Company has the same duties as the enterprise with respect to maintenance of the register. The appointment by an enterprise of the Registry Company does not relieve the enterprise of its responsibilities with respect to the maintenance of the register or to the enterprise's shareholders or bondholders. The enterprise cannot deny responsibility for actions taken by the Registry Company with respect to the register if these actions were performed with the enterprise's knowledge, or if the enterprise by routine communication with the Registry Company should have been aware of them.

The Registry Company is entitled to refuse to follow the instructions of the enterprise or any other person if to do so would be contrary to this regulation, applicable legislation, or the constitutional documents of the enterprise.

4.13. The Registry Company shall be liable for and indemnify damaged persons for loss caused by its failure to make entries in the register within the times specified by the present Regulations, by mistakes made while entering records in the register, or by an improper refusal to make required entries in the register, in accordance with legislation and the contract with the enterprise.

4.14.. In the event of securities issued in excess of the authorized number or amount, the enterprise or the Registry Company, whichever took the action, or neglected to take an action, which resulted in the excess issuance, shall buy and cancel the number of shares or the amount of bonds issued in excess of the authorized number, and shall also be liable for damages pursuant to 4.13 above..

5. REGISTER ENTRIES - ISSUE OF SHARES AND BONDS

5.1. When an enterprise is founded, the registrar shall open personal accounts in the register for each person acquiring shares as evidenced by documents confirming payments for shares by the founders.

5.2. If an enterprise is **[formed, organized, reorganized]** in the process of privatization of State-owned enterprises, the registrar shall open personal accounts in the register for each person acquiring shares as evidenced by a document verified by **[the privatization agency.] [Relate to, and use terminology used in, Egypt.]**

5.3. If, following its formation, an enterprise issues additional shares, the registrar shall make entries in the personal accounts in the register of all necessary information contained in documents confirming the payment received by the enterprise from each subscriber for the additional shares.

5.4. If an enterprise, which has issued shares only in dematerialized form, divides each share of a class into an equal number of new shares of the same class (stock split), or combines, for all shares of a class, a specified number of shares into a single new share (consolidation), or exchanges all shares of one class for shares of another class (conversion), the registrar shall adjust the number of shares, or the description of the class of shares, recorded in the register as being held by each registered person based on the formula or procedure for the stock split, consolidation, or conversion contained in (as applicable)

- a protocol of the results of a meeting of shareholders that approved the stock split, consolidation, or conversion

- the amendment to the Charter that effected the stock split, consolidation, or conversion.

[May be modified depending on who can authorize a stock split or consolidation.]

5.5. In the event of a stock split, consolidation or exchange of shares with respect to a reorganization of any enterprise, any materialized security in circulation remains valid and the registrar is not required to exchange a new dematerialized security for an old materialized security until the old materialized security is presented to the registrar in connection with a transfer of shares. Any dematerialized security subsequently issued shall reflect changes as a result of the stock split, consolidation or reorganization, including, if applicable, a new name of the enterprise.

5.6. Fractional shares are not permitted. In lieu of issuing fractional shares, in the event of a stock split, consolidation or exchange of shares with respect to a reorganization of the enterprise, the registrar shall sell on the market the number of shares which comprise the total of all fractional shares interests, and divide the proceeds *pro rata*. If there is no readily available market for the shares, the registrar shall compute the per-share value as the average price of the four previous days on which sales of the enterprise's shares took place.¹

¹ For example, if a stock split provided that one additional share would be issued for every three shares held, every stockholder with a number of shares not divisible by 3 would be entitled to a fractional share interest. For example, a shareholder with 7 shares would be entitled to 2 1/3 additional shares. A shareholder with 8 shares would be entitled to 2 2/3 additional shares. The registrar would post the 2 shares to these accounts, and would accumulate all the 1/3-shares and 2/3-share interests of all such shareholders, and sell the total number of shares

6 RegulationRegistry.doc/RES/4/7/2000

6. TRANSFER OF SHARES AND BONDS, INQUIRY PROCEDURES

6.1. A transfer instruction shall instruct the registrar or the nominee to record the transfer of a specified number of shares or amount of bonds from the name of a registered person to another person.

6.2. A transfer instruction shall contain:

- the full name of the registered person transferring the securities,
- personal account number,
- either
 - Passport number (or other appropriate IF number) for a physical person; or
 - [Appropriate State] registration number for a legal entity
- the full official name of the issuer,
- the number of shares or amount of bonds to be transferred,
- the price paid if the transfer was by sale, **[If there is no capital gains tax, this item would not appear to be necessary.]**
- the class of securities,
- the name of the Registry Company if the JSC is not the Registrar
- a description of any encumbrances on the security
- ISIN number, and
- information with respect to the person in whose name the securities are to be registered.

The transfer instruction must include language stating that if the securities have been issued in materialized form, they must be presented to the Registrar before the transfer can be effected.

Information required by a registrar to be included on a transfer instruction shall be limited to that required by these regulations.

6.3. The transfer instruction must be signed by the registered person transferring the securities or his authorized representative. The transfer instruction may be presented to the registrar by the

on the market. It would then divide the proceeds of the sale among those shareholders based on whether their fractional interest was 1/3 share or 2/3 shares..

person in whose name the securities are to be registered or by his authorized representative, [or ???.....]

Transfers of ownership resulting from transactions which took place on a stock exchange shall meet the requirements of the exchange and relevant legislation, regulation, or other directive.

6.4. If a transfer of a dematerialized security is effected with the aid of a professional participant in the securities market, the registrar, at the request of the intermediary, shall make entry in the account of the person transferring the securities to indicate that a transfer is pending. The request of the professional participant may be verbal, to be confirmed in writing within five days. This entry may be by special code or by such other means as will prevent multiple transfers of the same share or bond, and will alert other parties of the pending transfer.

If the written confirmation is not received within the five-day time period, responsibility for damages to the registered person or the buyer rests with the professional participant.

6.5. Requirements for the transfer of ownership of shares shall be established by the Commission.

[The Authority would have limited authority in this area, since it would not be able to change existing law. Should a counterpart of UCC, Art. 8, be included in some Law?]

6.xx. Verification of a document (transfer instruction, request for confirmation, or other statement) is the warranty by the verifier

- of the identity of the person signing the document;
- if the signatory to the document is not the registered person specified in the document, that the signatory is authorized to sign the document on behalf of the registered person, and
- that the signatory had the legal capacity to sign.

6.xx. A document may be verified by the registrar, a notary, or by a professional participant in the securities market. **[What are the duties/responsibilities of a notary in Egypt; can they be held financially responsible? Do notaries exist?]**

A registrar may not reject a transfer instruction sent to the registrar by a Stock Exchange, for the reason of a signature not being verified, and shall not be liable for breach of any of the warranties described in 6.xx, above. **[This assumes that the Exchange or the Exchange Member has in effect assumed the responsibility for verification.]**

6.6. The registrar shall make entries in the register to record the transfer of securities by a registered person no later than ____ days after the receipt of a verified transfer instruction and other required documentation.

6.7. A registrar may enter into the register notations of lawful restrictions on transfer only if the registrar has received documents confirming the restriction or encumbrance. Written documentation is, however, not required when the registrar receives notification, as described in 6.4, above, from a professional participant in the securities market that a transfer of securities is pending.

The registrar must give written notice of the restriction or encumbrance, except restriction from a professional participant in the securities market regarding a pending transfer, to the registered person at the time of making the entry.

6.8. The registrar shall make entries in the register to record changes in personal account data (such as change of address) within 10 days of the receipt of a request from the registered person or person authorized to act as the representative of the registered person.

6.9. A registrar shall investigate promptly and thoroughly all inquiries received regarding the status or accuracy of data in the register, or potential errors brought to its attention, make all necessary corrections, and provide a response within ten days.

A person shall be entitled to a response to his inquiry if the information requested is not confidential. Except as provided in these regulations, information shall be deemed confidential only if it concerns securities with respect to which the person is not, or does not claim to be, a registered person.

6.10. If the registrar determines that it should not make an entry in the register in compliance with a transfer instruction, lien instruction, request to change personal account data or other request, the registrar shall, no later than 5 days after receiving the instruction or request, send a notice of rejection to the person presenting the instruction or request. The notice of rejection must state the precise reasons for refusing to make the entry in the register.

6.11. Such documents and records, other than those relating to changes of ownership of securities, shall be retained by the registrar for a minimum of three years from the date of receipt.

6.12. Refusal to enter a record into the register may be subject to appeal in the Audit Commission of the enterprise or in a court or arbitration court. According to a decision of the Audit Commission or of a court or arbitration court, the registrar shall make the necessary entry in the register within two days from the receipt of the decision. **[Is there a counterpart of an Audit Commission in Egypt?]**

7. MATERIALIZED SHARES AND BONDS

7.1. A separate record shall be maintained for each class of registered securities issued in materialized form.

2.3. A registrar must have a system of procedures and personnel responsible for ensuring that only valid and authorized materialized securities are issued, and that, upon transfer, such securities are withdrawn from circulation and canceled. Such system shall include:

- vault control procedures for maintaining an accurate inventory of blank materialized securities based on the unique number appearing on each such materialized security.
- physical controls over the equipment used to authenticate materialized securities (equipment for facsimile signatures of officers of the enterprise, seal of the enterprise)
- a clear method of marking or mutilating voided or canceled materialized securities to show they are invalid
- a method for archiving and retrieving voided and canceled materialized securities for at least seven years following cancellation.

7.3. The register shall maintain data on each materialized share or bond which shall include, as a minimum:

- a unique number for each materialized security within a class,
- the number of shares evidenced by a materialized share security, or amount of bonds evidenced by a materialized bond security,
- the name and personal account number of the registered person in whose name the materialized security was issued,
- the date of issue,
- the date the share or bond was canceled if it was canceled,
- the ISIN Number,
- a description of any encumbrances, and
- whether the share or bond was reported lost, stolen or damaged, and, if so, whether a replacement share or bond was issued.

7.4. It is prohibited to have more than one materialized security in circulation at any one time with respect to the same share or bond..

7.5. If a materialized security is in circulation, a transfer instruction with respect to such security is not complete without delivery of the security to the registrar for cancellation.

7.6. At the time a materialized security is issued that is subject to a lien or other encumbrance, or to lawful restriction on transfer recorded in the register, the security must contain a conspicuous notation of the existence of such restrictions or encumbrance.

7.7. If a registered person claims that a materialized security has been lost, stolen or destroyed, the registrar may issue a replacement if

- the registered person signs a notarized statement explaining the grounds for believing that the materialized security is truly missing and promising to reimburse the registrar for any loss if the missing security is later presented for payment or transfer; and
- the registered person pays a replacement fee, which should not exceed the actual cost to prepare and deliver the replacement, but may include the cost of insurance against loss.

[Is there such a thing as a surety bond in Egypt? Should the registrar be required to issue a replacement?]

8. EXTRACTS FROM THE REGISTER

- 8.1. Extracts are not required to be issued if an enterprise issues only materialized securities.
- 8.2. An extract shall contain at a minimum the following data:
 - the full name of the registered person;
 - personal account number of the registered person;
 - either
 - JMB number for a physical person; or
 - (Appropriate State body) registration number for a legal entity
 - the date as of which the extract from the shareholder register or bondholder register certifies that securities have been issued in the name of the registered person;
 - full official name of the enterprise and the its official address.
 - the number and class of securities recorded in the register in the name of the registered person;
 - ISIN number
 - either the total number of securities in the person's account, or, upon the transfer of securities, the amount being transferred and class;
 - the full official name and legal address of the registrar;
 - data on any restrictions or encumbrance imposed on the transfer of securities.
- 8.3. Appearing on the register extract must be language explaining:
 - that the register extract is not a security but is a confirmation that, as of the date indicated, the person named on the register extract was the registered person with respect to the securities indicated on the register extract;

- that in order for a transferee of securities to become the registered person with respect to the securities, proper documents, including a properly verified transfer instruction, signed by the registered person or his authorized representative, must be presented to the registrar; such transfer instruction need not be accompanied by the register extract.
- the procedure by which additional register extracts may be obtained at a later date.

8.4. A register extract will be issued to a registered holder of a dematerialized security at the time of the opening of the securityholder's personal account.

The register extract will be sent to the registered securityholder or his representative by mail within 3 days of the opening of the securityholder's personal account unless the securityholder receives the register extract in person.

8.5. A register extract will be issued to both the registered person out of whose name securities are being transferred and the registered person into whose name the securities are being issued.

The register extracts must be sent to both persons or their representatives by mail within 3 days of the date of transfer unless the persons receive the register extract in person.

8.6. Upon request of a person who claims to be a registered person with respect to securities of an enterprise, the registrar must issue a register extract confirming the number of shares or amount of bonds, if any, that appear in the register in the name of the person.

The register extract must be sent by mail within 10 days of receipt of the request unless the person receives the register extract in person.

8.7. The registrar will pay the costs of preparing and delivering register extracts to the registered person at the time of opening a personal account or at the time of a transfer of registered ownership of securities. The registrar may, however, charge a fee (not to exceed the actual costs of preparation and delivery) for register extracts provided at the request of the registered person.

8.8. The registrar has no obligation to control the number of extracts issued at any time with respect to a share or bond, and the extract is not subject to withdrawal from circulation and cancellation by the registrar.

9. MEETINGS OF SHAREHOLDERS

9.1. A registrar shall produce a shareholder list as of a record date to determine which shareholders are entitled to receive notice of a meeting of shareholders and to vote at that meeting. Registered persons shall be listed alphabetically [or, ...] and lists shall contain, at a minimum, for each registered person, the following data:

- name of the registered person

- number of shares
- correspondence address.

9.2. A separate shareholder list shall be produced for each class of shares entitled to receive notice of a meeting of shareholders and to vote at the meeting.

9.3. Upon receipt of notification from an enterprise of the record date to determine the shareholders entitled to participate in the enterprise's annual meeting or other meeting of shareholders, the registrar will ensure that all instructions for the change of ownership of shares received by the registrar no later than the record date are entered into the register in sufficient time to ensure that notices of the meeting and related materials are distributed to persons entitled thereto.

9.4. No fewer than ____ days before the record date of a meeting of shareholders, the registrar shall send a search inquiry to each nominee which is a registered person. The search inquiry shall include notice of the date of the meeting, the record date, and the date by which the nominee must submit a request for an estimated number of shareholder meeting materials to be distributed to the beneficial owners for whom the nominee holds common shares of the enterprise. If one or more classes of preferred shares will be eligible to vote at the meeting, the search inquiry will also ask that the nominee submit a request for shareholder meeting materials to be distributed to the beneficial owners of shares of those classes of which the nominee is the registered owner.

If a nominee holds shares for another person that is, itself, a nominee, the first nominee shall forward a copy of any search inquiry to the second nominee within ____ days of having received the search inquiry. The second nominee, within ____ days after receiving the search inquiry from the registered nominee, will submit to the registered nominee a request for sufficient shareholder meeting materials for each beneficial owner of shares which it holds on behalf of those beneficial owners.

Registered nominees will in turn, no later than ____ days prior to the record date, inform the registrar of the estimated number of materials required by it and by any nominee from which it has received a request for materials.

9.5. Within ____ days following the record date, the registrar shall send a register extract to each registered nominee, informing the nominee of the number of shares of each class eligible to vote at the meeting registered in the nominee's name as of the record date. Within ____ days following the record date, each nominee that has sent a search inquiry to other nominees shall send an account extract to each such nominee, informing such nominee of the number of shares of each voting class recorded in the nominee's account as of the record date.

It shall be the responsibility of each nominee to reconcile the number of shares shown on the extract it receives with the number of shares shown on its records. Any discrepancy that cannot be reconciled by the nominee must be brought to the attention of the registrar, or of the nominee that sent it the extract, within ____ days of receipt of the extract from the registrar or nominee, accompanied by, if appropriate, a change in the number of shareholder meeting materials requested.

9.6. Each registrar shall, within ____ days following the record date, send to each registered nominee the number of shareholder meeting materials requested. With ____ days of receipt of such materials, each registered nominee that holds shares on behalf of another nominee shall in turn forward to each such nominee the materials that nominee requested.

Each nominee shall, upon receipt of assurance of payment of postage and other reasonable expenses from the enterprise or its registrar, no later than ____ days before the date of the shareholder meeting, mail or otherwise deliver shareholder meeting materials to each beneficial owner of shares which it holds as nominee.

9.7. A nominee shall not be required to provide to the enterprise or to its registrar any information regarding shares held in the nominee's name other than that specified above.

9.8. **(Alt. 1)** Upon request of a registered person, the registrar shall provide a copy of the most recent shareholder list for a fee not to exceed the cost of production. Such request shall be fulfilled by the registrar no later than 5 days after receiving the request.

(Alt. 2) Upon request of a registered person who holds no less than ____ % of the voting shares of the enterprise, the registrar shall provide a copy of the most recent shareholder list for a fee not to exceed the cost of production. Such request shall be fulfilled by the registrar no later than 5 days after receiving the request.

(Alt. 3) Upon request of registered persons who together hold no less than ____ % of the voting shares of the enterprise, the registrar shall provide a copy of the most recent shareholder list for a fee not to exceed the cost of production. Such request shall be fulfilled by the registrar no later than 5 days after receiving the request.

9.9. If a request by a registered person is for a shareholder list as of the record date for a meeting of shareholders, the request must be fulfilled by the registrar no later than ____ days after sending of the notice of meeting to shareholders, or if the request is received after the record date, no later than 5 days after receipt of the request.

9.10 A shareholder may receive a copy of the list described in section 9.9 and 9.10 only if:

- (1) his demand is made for a proper purpose;
- (2) he describes his purpose in writing with reasonable particularity;
- (3) the list is directly connected with his purpose; and
- (4) he agrees to compensate the enterprise or the registrar for any damage or loss caused by improper use of the list

An improper purpose in the context of this section is any purpose which is unrelated to a meeting of shareholders.

9.11 The registrar must make available a copy of the shareholder list, as of the record date of a meeting of shareholders, for examination by any registered person, or person who was a

registered person as of the record date, or his authorized representative, at the office of the registrar during normal business hours for the two weeks preceding the meeting, and at the meeting.